

CLIENT ALERT

Supreme Court Confirms Institution of Inter Partes Review Is Unreviewable, Upholds “Broadest Reasonable Interpretation” of Patent Claims

JUNE 22, 2016

This week, in a closely watched case, the Supreme Court affirmed the Federal Circuit on two questions regarding the inter partes reviews before the Patent Trial and Appeal Board. First, the Court held that the Leahy-Smith America Invents Act generally, though not universally, bars judicial review of the Board’s initial decision whether to institute IPR. Second, the Court upheld the Board’s practice of construing patent claims according to their “broadest reasonable interpretation,” instead of using the narrower “ordinary meaning” standard that applies in the courts.

On the first issue, writing for a six-justice majority, Justice Breyer explained that the statute overcomes the “strong presumption” in favor of judicial review by stating unequivocally that the “determination by the [Patent Office] whether to institute an inter partes review under this section shall be final and nonappealable.” 35 U.S.C. §314(d).

Justice Breyer cautioned, however, that this “interpretation applies where the grounds for attacking the decision to institute inter partes review consist of questions that are closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate inter partes review.” Thus, the Court did not “decide the precise effect” of the statutory bar “on appeals that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond ‘this section.’”

For example, the statute might “not categorically preclude review of a final [institution] decision where a petition fails to give sufficient notice such that there is a due process problem with the entire proceeding, nor does [it] enable the agency to act outside its statutory limits by, for example, canceling a patent claim for indefiniteness under §112 in inter partes review” (which, by statute, is limited to challenges for lack of novelty or obviousness under §§ 102 and 103).

Justice Alito, joined by Justice Sotomayor, dissented from this portion of the opinion. In their view, the statute bars only *interlocutory* appeals of institution decisions, leaving courts free to consider “issues bearing on the institution of patent review proceedings” so long as they are “channeled through an appeal from the agency’s final decision.”

On the second question presented, the Court was unanimous: The Board may continue to construe patent claims according to their “broadest reasonable interpretation.” In reaching that conclusion, the Court deferred to the Patent Office under the two-step test in *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U. S. 837, 842 (1984).

First, the statute “leaves a ‘gap’ ... granting the agency leeway to enact rules” for construing patent claims because no “provision unambiguously directs the agency to use one standard or the other.” On the contrary, the statute broadly authorizes the Patent Office to issue “regulations ... establishing and governing inter partes review.”

The Court thus rejected Cuozzo’s argument that, by establishing IPR as an adversarial, trial-type proceeding, Congress implicitly directed the Patent Office to use the “ordinary meaning” standard that applies in litigation. As the Court explained, IPR differs from litigation in many ways: For example, petitioners need not have constitutional standing, and the Patent Office may intervene on appeal or continue an IPR even after the petitioner and patent owner settle.

Second, the agency’s rule adopting the “broadest reasonable interpretation” standard is reasonable. “For one thing, construing a patent claim according to its broadest reasonable construction helps to protect the public” by “encourag[ing] the applicant to draft narrowly,” which “helps ensure precision while avoiding overly broad claims.” Consistent with that goal, “[t]he Patent Office has used this standard for more than 100 years,” including in interferences, which are adversarial proceedings that also “resemble district court litigation.”

Nor is this standard unfair to patentees, who “may, at least once in the process, make a motion to ... amend or narrow the claim.” “This opportunity to amend, together with the fact that the original application process may have presented several additional opportunities to amend the patent, means that use of the broadest reasonable construction standard is, as a general matter, not unfair to the patent holder in any obvious way.”

To be sure, the different standards in litigation and IPR “may produce inconsistent results,” but “[t]his possibility ... has long been present in our patent system, which provides different tracks—one in the Patent Office and one in the courts—for the review and adjudication of patent claims.” Indeed, Congress “impose[d] a different burden of proof on the challenger” in IPR, so “the possibility of inconsistent results is inherent to Congress’ regulatory design.”

Justice Thomas concurred in this result, but noted his continued view that the Court should reconsider Chevron, which “raises serious separation-of-powers questions” by construing statutory ambiguity as an implicit delegation of legislative authority to executive agencies.

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